

## Message Text

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C O N F I D E N T I A L BERLIN 5119

USDOC FOR BEWT FOR DOWNEY

E.O. 11652: GDS

TAGS: EEWT, PFOR, GE, US

SUBJECT: BEIL ON US-GDR ECONOMIC RELATIONS.

SUMMARY: IN A TALK WITH AMBASSADOR ON NEAR-TERM DEVELOPMENT OF BILATERAL ECONOMIC RELATIONS, FOREIGN TRADE STATE SECRETARY BEIL TOLD OF PLANS FOR SEVERAL PRIVATE COOPERATION AGREEMENTS WITH U.S. FIRMS. GDR WOULD ALSO LIKE A PRIVATE JOINT ECONOMIC COUNCIL AND A GRAIN AGREEMENT. END SUMMARY.

1. IN A MEETING WHICH TOOK PLACE AT GDR INITIATIVE JANUARY 22, FOREIGN TRADE MINISTRY STATE SECRETARY GERHARD BEIL TOLD AMBASSADOR COOPER SOME OF THE RESULTS OF HIS TRIP TO THE UNITED STATES, AND GAVE HIS PLANS AND VIEWS ON THE DEVELOPMENT OF BILATERAL TRADE RELATIONS IN THE NEXT MONTHS. THE MAIN POINTS OF BEIL'S PRESENTATION FOLLOW.

2. SUCCESSFUL TRIP. BEIL CHARACTERIZED HIS TRIP AS SUCCESSFUL ON THE WHOLE. HE THANKED THE AMBASSADOR FOR THE ASSISTANCE HE RECEIVED FROM THE USG AND THE EMBASSY IN ARRANGING HIS PROGRAM. HE SAID THE TRIP PROVIDED A WELCOME OPPORTUNITY FOR THE GDR TO EXPRESS ITS VIEWS AND THAT HE AND HIS COLLEAGUES HAD RECEIVED FROM THESE TALKS MANY USEFUL IDEAS ON POINTS OF DEPARTURE FOR FURTHER  
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DEVELOPMENT OF TRADE. BEIL SAID THE GDR REPRESENTATIVES RETURNED MUCH

WISER THAN THEY HAD GONE.

3. COOPERATION AGREEMENTS. BEIL SAID AMONG CONCRETE RESULTS OF THE TRIP AS GDR PLANS TO CONCLUDE LONG-TERM COOPERATION AGREEMENTS WITH SEVERAL U.S. FIRMS IN THE NEAR FUTURE. IN THE ABSENCE OF A GOVERNMENTAL ECONOMIC AGREEMENT AND MFN TARIFF TREATMENT, THIS SEEMS TO THE GDR AN APPROPRIATE WAY IN WHICH TO PROCEED. THUS THE GDR HOPES TO CONCLUDE AN AGREEMENT SHORTLY WITH DOW CHEMICAL PROVIDING FOR THE EXCHANGE OF GOODS AND SERVICES UNTIL 1980. THE GDR PLANS ALSO TO CONCLUDE AGREEMENTS WITH AMOCO, UNION CARBIDE, AND ROCKWELL INTERNATIONAL, THE LATTER AGREEMENT TO BE SIGNED IN THE PERIOD MARCH-APRIL (BERLIN 5112). ALL THESE AGREEMENTS, BEIL SAID, HAVE TERMS OF FIVE YEARS OR MORE AND DEAL WITH SUBSTANTIVE MATTERS IN VARIOUS FIELDS. IN ADDITION, THE GDR EXPECTS A VISIT FROM UNION OIL CO. PRESIDENT HARTLEY ON MARCH 4, DURING WHICH IT IS EXPECTED THAT A LICENSE AGREEMENT INVOLVING GDR COAL TECHNOLOGY WILL BE SIGNED WITH THE SCHWEDT KOMBINAT. THE PROBLEM FOR THE GDR, A SMALL COUNTRY, BEIL SAID, IS TO IDENTIFY SPECIFIC AREAS IN WHICH THE GDR HAS SOMETHING INTERESTING TO OFFER. BEIL SAID CHEMICAL INDUSTRY AND MACHINE BUILDING APPEAR TO OFFER SUCH POSSIBILITIES; AND THE GDR IS TALKING TO FIRMS LIKE ROCKWELL, TWZ, AND AMTEL IN THIS SPIRIT.

4. ECONOMIC COUNCIL. BEIL SAID THE GDR IS CONSIDERING WHETHER OR NOT TO SET UP A PRIVATE ECONOMIC COUNCIL CONSISTING OF PRIVATE AMERICAN BUSINESSMEN AND THE GDR CHAMBER OF FOREIGN TRADE. HE SAID A NUMBER OF US BANKS, CHEMICAL FIRMS, MACHINERY FIRMS, THE LOS ANGELES WORLD TRADE CENTER, AND THE CALIFORNIA CHAMBER OF COMMERCE HAD ALL EXPRESSED INTEREST IN SITTING ON SUCH A COUNCIL. BEIL CONCLUDED BY SAYING HE WOULD LIKE TO HAVE THE AMBASSADOR'S VIEWS ON THE ECONOMIC COUNCIL IDEA.

5. COMMODITY SALES AGREEMENT. BEIL SAID THE GDR IS PREPARED TO CONCLUDE A LONG-TERM AGREEMENT WITH THE UNITED STATES ON PURCHASE OF AGRICULTURAL COMMODITIES. BEIL SAID A MEETING IS SCHEDULED WITH MR. (DEPUTY ASSISTANT SECRETARY RICHARD E.) BELL OF THE DEPARTMENT OF AGRICULTURE IN APRIL TO DISCUSS SUCH AN AGREEMENT.

6. RESPONDING TO BEIL'S PRESENTATION, AMBASSADOR COOPER SAID  
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HE THOUGHT THAT THE GDR HAS ACCOMPLISHED A GREAT DEAL IN A SHORT TIME. HE SAID HE COULD IMAGINE THAT THE GDR FEELS IT NEEDS TO INCREASE EXPORTS TO COVER ITS IMPORT BILL. THE UNITED STATES IS INTERESTED IN DEVELOPING NEW WAYS TO MEET ITS ENERGY NEEDS, AND THE TECHNOLOGY OF COAL USE, HIGHLY DEVELOPED IN THE GDR, IS ONE AREA IN WHICH COOPERATION COULD BE UNDERTAKEN, A DISCUSSION THEN FOLLOWED IN WHICH BEIL SAID THE GDR HAS LITTLE HOPE OF BALANCING ITS TRADE WITH THE UNITED STATES WHICH THE GDR ESTIMATES WAS ON

THE ORDER OF TEN TO ONE IN FAVOR OF THE U.S. IN 1975, WITH GDR IMPORTS OF \$375 MILLION AND EXPORTS OF \$40 MILLION. BEIL SAID THERE IS NO PROSPECT OF REACHING A BALANCE FOR THE NEXT THREE YEARS AT LEAST.

7. COMMENT: REPRESENTING THE PRIVATE COOPERATION AGREEMENTS AS VIRTUALLY IN THE BAG, BEIL IS FORCING AS BEST HE CAN THE PACE OF DEVELOPMENT OF THE GDR'S TRADE RELATIONS WITH THE U.S. PRIVATE ECONOMY. AS WE NOTED IN OUR MESSAGE ON THE ROCKWELL AGREEMENT (BERLIN 5112), IT SEEMS TO US THAT OUR INTERESTS ARE BEST SERVED BY THE USG GOING ON RECORD WHEN THE OPPORTUNITY PRESENTS ITSELF AS WELCOMING THESE STEPS AS A POSITIVE AND MUTUALLY BENEFICIAL CONTRIBUTION TO OUR BILATERAL RELATIONSHIP.  
COOPER

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